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Cargill

TRADING THE WORLD'S GRAIN

Wayne G. Broehl, Jr.

Dartmouth/New England

# Cargill

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CARGILL

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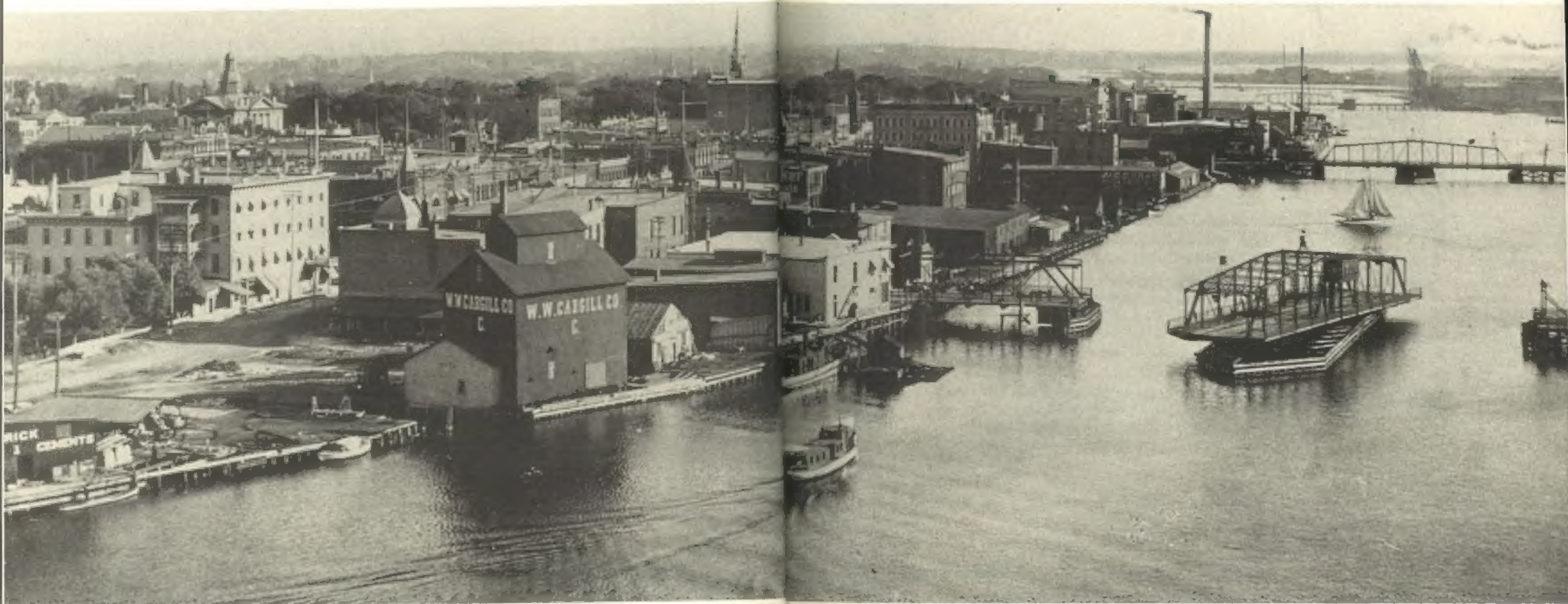
# CARGILL

## Trading the World's Grain

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# Contents

## PART FOUR. IDEAS AND INNOVATIONS—THE 1930s

# Acknowledgments


This is the fifth book written by me in a series of business histories under the auspices of the research program of the Amos Tuck School of Business Administration of Dartmouth College, done under the College's requirement of full scholarly independence. Cargill recognized from the start the wisdom of engaging an outside scholar and allowing this person to view the Company at arm's length, with no editorial constraints by anyone. In order to assure this independence, it was agreed that there would be no financial relationship between myself and the Company. Instead, Cargill made a grant to Dartmouth College, to cover only my regular salary. This very private company in a very secretive industry allowed me full access to all records and all employees and imposed no constraints. For their perception of and enthusiasm for these basic principles of sound business history, I owe thanks both to the members of both families and to senior management.

Five senior members of the family have provided major input: Whitney MacMillan, James R. Cargill, Cargill MacMillan, Jr., W. Duncan MacMillan and John Hugh MacMillan III. Pauline Whitney MacMillan (now deceased) gave me insight into the role of her husband, Cargill MacMillan, Sr. Pauline MacMillan Keinath, their daughter, also was helpful. Marion MacMillan helped me understand her father, John MacMillan, Jr. I was privileged to attend a number of the "family meetings" described in chapter 19, and these measurably advanced my understanding of the dynamics of a family company.

Cargill's senior professional management played a significant role in my research. I especially want to thank William R. Pearce, Cargill's vice-chairman, who was my colleague and advisor throughout the project. I also wish to acknowledge the important input of the late James Spicola and of Heinz Hutter, James Howard, Gerald Mitchell, Robert Lumpkins, Leonard Alderson, Peter Von Eschen and Marleen Kurschner. John F. McGrory,

Cargill's general counsel, carried out that role so critical to sound business history with great sensitivity and unwavering support. Cheryl Pederson, his archival assistant, aided measurably in this process.

Retired Cargill senior management provided a major resource for my knowledge of the Company. I had in-depth interviews with some 85 of these people and met with several score more—in total a number too large to enumerate here. However, I would like to mention a few especially faithful people. Clifford M. Roberts, Jr., longtime lecturer for me in my Dartmouth classes, originally persuaded me to consider the project, then read with great understanding everything I wrote. Jim Cargill also did the same, with a particularly discriminating eye for editorial style. Both of these wonderful colleagues knew how to be analytical and constructive while at the same time preserving my full independence to make my own judgments. Robert Diercks and Walter B. Saunders also read most of the manuscript, and I have prized their thoughtful comments. Tom Totushek, now deceased, shared unique information on the early days. Walter Gage and Brewster Hanson were particularly helpful in assessing the role of Tradax, Cargill's European entity. M. D. Wyard was helpful on the commodity markets and Calvin Smith on a number of accounting and control matters. Erwin Kelm, retired chief executive officer, and M. D. McVay gave me many insights.

The members of the Cargill Public Affairs Department all have been supportive friends; Robbin Johnson, Garland West, Jean Spielman Housh, Jon Yeager, Lisa Vickstrom and former member Newell Searle were particularly involved in the project. Again, the entire Cargill Information Center under Julia Peterson has been a major contributor; Margaret Drews and Peter Sidney were particularly helpful. The Corporate Secretary's office is central to a business history; Marleen Kurschner's staff of Anne Carlson, Allison Gunlock and Cheryl Nikko and former members Anne Moore and Kathleen Steinmetz were all involved in the research. John Keefe's records management skills were also called upon many times. Jean Lawe has edited a number of my books and did so here with her usual grace and professionalism. Patricia Condon Johnston and James Sazevich were helpful at several points. Finally, Cargill's archivist, Rosemary Palmer, was engaged by the project at every stage, and her judgment and insight are especially appreciated.

I had major contacts with a number of members of the grain trade and the Twin Cities business community. Particularly helpful were Dwayne Andreas, the late Max Goldberg, Ralph Bagley and a number of his colleagues at the Minneapolis grain exchange. William Barney pointed the way in my understanding of the La Crosse, Wisconsin, business community. Professor Owen Gregory was an important contributor to my understanding of the Chicago Board of Trade archives. These are housed in the



Special Collections of the University of Illinois, Chicago campus, under the direction of the helpful archivist, Gretchen Lagana. Other members of the Minneapolis and Saint Paul communities provided further insights into the life of these two vibrant cities; Mrs. Dewalt Ankeny, Sr., and Marvin Borman were particularly helpful. Former Cargill executive Ben Jaffray was a thoughtful respondent throughout.

My academic colleagues have given me, as always, superb analytical feedback. I particularly wish to thank Mira Wilkins, Morton Rothstein and Ray Goldberg, each of whom read the entire manuscript with great care. This book simply would not be what it is without their very special input. I have expressed in my introduction to this book my longtime debt to Alfred D. Chandler, Jr. The two Tuck School deans spanning this long project, Colin Blaydon and Edward Fox, have given me the strong institutional support of Dartmouth College. My longtime friend, former dean John W. Hennessey, Jr., has once more provided for me that special evaluative perception he has exercised so well with my previous books.

Librarians are faculty favorites, and I have a legion of them to appreciate. Tuck School librarian James Fries and his colleagues are marvels; Bette Snyder, Jonathan Brown and Tom Labruna were particularly helpful. The Baker Library of Dartmouth is the equal of Tuck on these matters; Robert Jaccuad, Virginia Close, Patricia Carter, Joan Adams and Marilyn Curphey all were drawn into the research on many occasions.

I would also like to acknowledge the help given me by the staffs of the following institutions: Minnesota Historical Society, Division of Library and Archives; Minneapolis Public Library; University of Minnesota Libraries; Fort Worth Public Library; University of Texas, Arlington, Libraries; Amon Carter Museum, Fort Worth; State Historical Society of Texas, Austin; Iowa Historical Society; La Crosse County Historical Society; Area Research Center, University of Wisconsin, La Crosse; La Crosse Public Library Archives; Rock County Historical Society, Janesville, Wisconsin; Freeborn County Historical Society, Albert Lea, Minnesota; Rockefeller Archive Center, North Tarrytown, New York; Luther College Archives, Decorah, Iowa; Institute for Great Lakes Research, Perrysburg, Ohio; Green Bay Public Library; Manuscript Division, Baker Library; Harvard Business School; and James J. Hill Library, Saint Paul, Minnesota. I especially wish to acknowledge the research help of Robert Frame III, a member of the last-named organization, as well as that of Barnaby Conrad of the Pondera History Association, Conrad, Montana; John Gruber, University of Wisconsin, Madison; and Duane Fenstermann, archivist at Luther College.

My last acknowledgments are in many ways the most important. I have been blessed in this project with two superb secretaries, Suzanne Sweet at Dartmouth and Bonnie Meyer at Cargill. One could not ask for more

wonderful friends and colleagues. Their faithfulness and diligence simply cannot be measured. Finally, my love and profound appreciation go to my wife, Jean, who was my research assistant throughout the project and whose judgment and perspective I trust above all!

*Hanover, New Hampshire* W.G.B., Jr.
*August 1991*

# Introduction

Cargill is one of the largest corporations in the United States, with annual sales of over $44 billion. It is the largest privately held company in the country. The Cargill and MacMillan families still retain essentially all of the equity in the corporation. Cargill is best known as one of the world's great multinational commodity trading companies but also has been involved more recently in a number of other agribusiness and industrial endeavors.

Private ownership has been the rule in the grain-trading industry, which is an industry with a passion for secrecy. This will be the first full-scale analytical business history of any of the "Big Five" of this industry. "Big Five," a term used widely in the 1970s, when all of the major grain companies were involved in massive sales to the Soviet Union, is no longer accurate—one of these, Cook Industries, fell on difficult days in the 1980s and was sold piecemeal. Of the other four, Cargill is the largest, followed by Continental Grain, Louis Dreyfus and Bunge y Born. All are privately held, with dominant family ownership. Only Cargill has been a United States company from its inception.

Cargill is now 125 years old and in this period has had just five chief executive officers. This book centers on the tenure of the first three, William W. Cargill, John H. MacMillan, Sr., and John H. MacMillan, Jr., who in combination held the reins for almost 100 of these years. A briefer section in the concluding chapter discusses the leadership of the last two, Erwin E. Kelm and Whitney MacMillan.

"W. W." was an early entrepreneur on the trans-Mississippi frontier, and his growth from a small-town grain buyer to the owner (with his brothers) of two large "line" elevator companies along the railroads out of La Crosse, Wisconsin, and Minneapolis, Minnesota, gives a revealing view of those hurly-burly days. Son-in-law John H. MacMillan was brought in to head the Minneapolis operations in 1903. Careful and cautious, his

business values contrast sharply with those of his father-in-law. W. W. died suddenly in 1909, leaving John Sr. the task of picking up the scattered financial pieces of a business empire that was on shaky ground. His thoughtful leadership rebuilt the organization solidly and carried it through the agricultural tensions of World War I and the farmer discontents afterward.

The entry of John MacMillan, Jr., into Cargill after World War I was marked by his strong will and fresh ideas and by antagonisms toward him on the part of senior executives. He became the general manager in 1932, and his charge-ahead philosophy and militant competitiveness brought new Cargill initiatives in transportation and company facilities but also exacerbated tensions with the Chicago Board of Trade. There were several skirmishes before a famous case occurred involving the corn futures market in September 1937, in which the Chicago Board of Trade alleged that John Jr. was attempting a "corner." The outcome was traumatic for Cargill and for John Jr.

In the late 1930s, Cargill had begun to build ships, and in World War II, the Company turned major energies toward shipbuilding for the armed services. Grain trading continued during the war, and new initiatives were taken in feed and oilseed processing. Further skirmishes also occurred with the Chicago Board of Trade, both during the war, with an acrimonious disagreement about rye trading, and after the war, when government price controls were removed and the Exchange made decisions that Cargill felt were detrimental to its own interests.

In the post–World War II period, John Jr. remained a dominating chief executive officer, and his ideas held sway. Many were highly successful, particularly the pioneering in inland waterway transportation and the building of unique commodity handling terminals. One of the most important moves was the self-standing European operation, Tradax. Other ideas were less successful.

Suddenly, however, three of the Company's leaders were gone. First, Austen Cargill, the younger son of the founder, died in 1957. Then, early in 1960 the brother of John Jr., Cargill MacMillan, had a disabling stroke. A few months later John Jr. himself died.

The critically important transition into the next generation of leadership, now temporarily to be nonfamily, was harmonious, but there were troubling business problems in a number of the Company's divisions. An incisive management consulting report by Cargill's lead bank helped to refocus management energies.

Because these first three chief executive officers were so inextricably linked with both family and company, this book is necessarily both business history and business biography. Alfred D. Chandler, Jr., the respected business historian, has aided me in developing my model for this study, both in my many personal discussions with him and in his own model: his book (with Stephen Salsbury), *Pierre S. du Pont and the Making of the Modern Corporation*. In his introduction to his book, Professor Chandler stated why a combination of history and biography is so productive in analyzing a complex modern corporation: "This approach permits a careful review of the relationship of the individual to the enterprise. Such an analysis has become particularly significant in the history of the modern corporation where, as was rarely true before in the history of business, the individual must work closely with many other men in the management of a single enterprise. Such a focus, for example, makes possible a detailed analysis of the inevitable conflict between personal goals and ambitions and the impersonal demands of large-scale business organization." My debt to Professor Chandler for these specific ideas and his always-helpful thoughts is substantial.



A particularly important feature of my Cargill study is the availability of a rich set of business and personal correspondence between and among the family members over many years. This has allowed me to make a detailed analysis of the decision-making process in a family corporation and will, I believe, provide significant insights into a widespread but less understood form of corporate ownership. The Cargill philosophy of management, too, has lessons for all corporations. More broadly, this book is a vivid testimony to the growth of the country from its frontier days to the complex environments of today. Cargill traditions give us many clues to our American traditions.

The Chicago Board of Trade archives, too, have given me a unique window on the industry from the inside, and this has been particularly helpful in the compellingly fascinating corn and rye cases. However, there were significant gaps in the records of the La Crosse side of W. W.'s 19th-century organization. John Sr.'s correspondence told why. A 1916 letter detailed how W. W.'s office manager planned to burn all of the letterbooks of the defunct company, stored under the stairs of the empty Cargill mansion in La Crosse—and he did. Truly the historian's worst nightmare! Fortunately, other corroborative information has been found, so the total set of documentation available to me has been superb. As a felicitious companion to this, the Company has made available to me *all* of its records for this period and given me the full independence of judgment that is the critical ingredient of sound business history.

My enthusiasm for this research project of my institution of 37 years, Dartmouth College, comes from almost four decades of writing business history and my long-term business school teaching in the fields of agribusiness and commodity markets. The central thread for this book is corporate values, both those of the individuals involved and of that collective entity called "Cargill." The fact that a number of the key individuals were

family adds a special dimension. Through these first years, a unique Cargill "corporate culture" was evolving, and by the time of John Jr.'s death a strongly held set of values and beliefs were evident, a tradition marked by independence, competitiveness, professionalism in management and an underlying ethical commitment. These remain strongly in place in the Cargill of today.

PART ONE

# CARGILL'S ROOTS, 1865-1889

*Main Street, La Crosse, Wisconsin, c. 1885–1886* (courtesy Area Research Center, UW–La Crosse)

*Albert Lea, Minnesota*

CHAPTER ONE

# Frontier Entrepreneur

When Will Cargill stepped down from the McGregor Western railroad car at the tiny end-of-the-line village of Conover, Iowa, he was reenacting once again a great American tradition. It likely was sometime in late 1865, just after the close of the great Civil War. The railroad had just been built into Conover, and the town was new. It was the frontier continued, not in this case via the wagon trains of prairie schooners but by the Iron Horse. Ex-soldiers swarmed the streets. "The people were young," wrote a local historian, "there were no gray heads or stooped shoulders in the community. Life was roseate, and fortune was on the way."[1]

The trans-Mississippi west was preeminently a farming frontier. Railroad extensions beyond the Mississippi River, haltingly initiated before the war, now burgeoned like fingers of many hands out from the formidable river to the newly established farmlands of Missouri, Iowa and Minnesota (and, of course, on westward). No longer would non-local shipping be limited to lands near navigable rivers; as these railroads expanded and multiplied, a whole mosaic of farmland opened to use. Agricultural historian Allen Bogue wrote evocatively: "Between 1850 and the 1880's . . . railroads gridded the midwestern states so thoroughly that there could have been few prairie farmers living beyond earshot of the locomotive's whistle in 1885." Further, while the railroad became the preeminent carrier of agricultural goods, the lake, canal and river continued to compete well, particularly in the period from early spring to late fall each year.

The McGregor Western Railroad Company had been organized in January 1863, taking its name from the busy Mississippi River town of McGregor, Iowa, in the northeastern tip of that state, just across the river from Prairie du Chien, Wisconsin (McGregor "averages two fights per hour and ten trades per minute," one editor trumpeted). The La Crosse and Milwaukee Rail Road Company* had arrived at Prairie du Chien,

*Railroads, in this early, formative period, went through many changes in names, as new branches were consolidated, bankrupt lines picked up, etc. The original name in the sequence

across the river from McGregor, in 1857, connecting from Milwaukee. No bridge was in place yet, but it was not an absolute necessity—as the line was built on westward, four rail cars at a time were ferried to and from McGregor and Prairie du Chien, on a barge positioned between two steamboats. An influx of settlers to the town's nearby farmlands further enhanced McGregor's position as a marketing entrepôt. When the federal Land Grant Act was passed in 1856, the intention of Congress was to encourage transcontinental railroads; large tracts of land alongside newly constructed tracks (essentially every other section) would be granted to individual lines, which would then sell these lands to settlers to recover their construction costs. Given the nation's preoccupation with a transcontinental rail link, the direction most often mandated in these grants of farmland was "West."

The McGregor Western, picking up some deeds from the defunct Northern Iowa Railroad Company (which had never begun construction), now obtained such a land grant and began building west from McGregor in 1863. By March 1864, trains were running into Monona, 15 miles to the west, then to Postville, Castalia, and Ossian later that year, and finally into Calmar and on to Conover (some 46 miles from McGregor) in August 1865. It was at this point that Will Cargill chose to take the trip to Conover.[2]

William Wallace Cargill—"Will"—had been born on December 15, 1844, so was just at his majority when he began his Conover experience. He was the second oldest of four sons of a sea captain, William Dick Cargill. Captain Cargill, born in the Orkney Islands of Scotland in 1812, had gone to sea in 1830, first out of the Orkneys and then in the western Atlantic after he moved to Setauket, Long Island, sometime before 1839. In that year, he married a Long Islander, Edna E. Davis, who was a niece of two well-known American painters named Mount. Edna was reputed to have hated the sea, "determined that her sons were to be brought up as far as possible from tidewater" (so said a 1945 Cargill company history). At any rate, Captain Cargill retired in 1856 (at age 44) to a farm in Janesville, Wisconsin, with his wife, his daughter Margaret, and his sons Thomas, Will, Sam, Sylvester, and James. Just why the Captain and his wife chose Janesville is lost in history. Some sources suggest that the Barkers, nearby neighbors in Janesville with family links to East Coast shipping, may have been an influence (later, in 1867, Margaret married George Barker). But it may have been also the blandishments of New York papers about the wonderful lands in Wisconsin, Iowa, and Minnesota, "such good value."

that brought the La Crosse and Milwaukee to Prairie du Chien was the Milwaukee & Mississippi Rail Road Company; later these lines and many others were consolidated into what eventually became the Chicago, Milwaukee, St. Paul and Pacific Railroad Company—the "Milwaukee Road."

*William Wallace Cargill, c. 1885.*

When the Civil War came, Thomas enlisted, but suddenly died of typhoid fever in a Union army camp before seeing any hostilities. Whether second son, Will, then went into the Union army provides the first of several questions about his early life. In the well-known (but not completely dependable) *Columbian Biographical Dictionary and Portrait Gallery of the Representative Men of the United States*, Wisconsin volume, published in 1895, Will Cargill was included, presumably with his blessing (and perhaps a monetary contribution). In it, the editors stated as fact: "When nineteen years of age, he entered the army and served in the Quartermaster's department at Duval's Bluff, Arkansas until the close of the Rebellion." John Work, in a 1965 history of Cargill, believed that the family had kept Will home—had "reverted to dedicated isolationism" after the death of the oldest son. None of Will Cargill's obituaries many years later mentioned the army service, nor does his name turn up in the lists of such veterans maintained by the National Archives. Yet it is curious that there was such a specific mention—place, unit, etc.—in the biographical profile presumably based on information from Cargill himself. It is possible he did go there but in a civilian capacity.[3]

### *Conover, New Prairie Town*

As railroads moved out into these newer territories beyond the Mississippi, hosts of both agricultural and business opportunities for exploiting the land surfaced. As surveyors sought the best (usually cheapest) path for the railroads, existing towns perhaps thriving until then might be bypassed, to their great detriment. This happened with the McGregor Western; the county seat of Decorah was bypassed for a route eight miles or so south and west—through Conover. Indeed, another town suffered more. Calmar was the logical temporary terminus for the construction team, for it had been in existence since 1854 and was, at this time, the second largest municipality in Winneshiek county. To the absolute consternation of Calmar's citizenry, the railroad was built straight through their town, to Conover, some four miles north and west, and the switching tracks and the railroad depot were put in Conover. "Calmar is to be 'left out in the cold' . . . the cars are not to stop . . . but only leave the screeches of the steam whistle to edify the people—to remind them that they did not 'shell out' when asked to" (it was typical for local citizenry to be importuned for substantial dollar advances for construction). So Conover, rather than Calmar, became the rendezvous for the railroad operatives and the place where further construction materials were concentrated. As a writer of that day put it, Conover "bid fair to become the 'boss town' of the county . . . like a Pacific Coast mining camp."



This was an impressive appellation—Conover had not even existed a year previous, being "born of hope" (as another local historian put it) in the fall of 1864. And what a hope! By September 1865, the McGregor newspaper began to chronicle the huge influx of people into Conover. "Conley's addition" began land sale in the third week of October, "Peterson's addition" a few days later. Municipal fever was raging among the local landowners. "What a future is in store for this young town," the McGregor newspaper reported glowingly. A week later the editor had some second thoughts: "Lots change hands at fabulous advances, and the devil is to pay there generally." The newspaper also reported defections from its own business community: "Dan Kirwan, late of Big Andy's Saloon, has removed to Counover" (the original pre-incorporation spelling, after Sam Counover, an officer in the railroad for whom the town was named; a petition for incorporation as "Conover" was drawn on July 5, 1866, with W. W. Cargill as one of its 62 incorporators). Decorah, too, began to lose key businesses; it was "Counover on the brain," carped the town's editor.

*Captain William Dick Cargill, father of the Cargill brothers, c. 1885.*

By early November 1866, the McGregor editor estimated that the new town had nearly 800 people, including "fourteen army Captains, one Colonel and three Majors." With Conover's business pace stepping up, in early December the "Proprietors" (handling the land sales) took a huge advertisement in the McGregor paper, pushing the remaining unsold lots. "In June last it had not a house," the advertisement began, "in September 100 good business and dwelling houses were built, and NOW THERE ARE 200 HOUSES AND NEARLY 1200 INHABITANTS." Oil miners of Pennsylvania, Californians, and Colorados (*sic*) had visited Conover "and they unite in saying that it exceeds all they ever saw in rapidity of advancement. Hotels, unrivaled in the west—Lumber Yards by the acre—Business Houses selling from $300 to $1000 worth of goods a day—Streets filled with 400 produce and freight teams per day—Everybody at work at building, improving, buying or selling." With the land around Conover "rich as the Nile" (once again, the hyperbole of the McGregor editor), the future of the little village—rather, town—seemed assured. This is what Will Cargill saw when he stepped off that train—and likely what had drawn him there.[4]

The focus of Conover was business. Already there were three hotels, a dozen stores, some 32 saloons—and "a whole street of warehouses." It was not the saloons but the warehouses that drew Will Cargill. Sometime early on, perhaps in late 1865, Will Cargill made connections with H. C. Marsh, and later a partnership was formed, "Marsh & Cargill," sometimes called by the newspapers "Marsh & Carghill." The project: to run one of those grain warehouses. These were simple structures—"flathouses"—where grain could be stored under lock, safe from the elements. There was no doubt that wheat was the crop of choice on the Midwest frontier at this time. In the two decades before the Civil War this had been mostly winter wheat, preferred for its superior milling qualities.* But winter-kill occurred over and over in the upper part of this region—Western Illinois, Iowa, Southern Minnesota, and Wisconsin—and by the time of Conover and Cresco, the hardy spring wheat predominated. There were all sorts of varieties sown, including Mediterranean, Red Chaff Bald, White Chaff Bald,

*By the turn of the nineteenth century, there were essentially five types of wheat grown in the United States. Prior to 1860, most wheat was either (1) soft-red winter wheat, grown in a band from Delaware, Maryland, northern Virginia, and southern Illinois and through Missouri to the eastern part of Kansas, or (2) white wheat, grown in the Genesee Valley region of New York, and especially on the Pacific Coast. The other three, later adoptions, are (3) hard-red winter wheat, grown in the central states from Illinois westward through the Great Plains area, sometimes called "Kansas wheat," as the chief producing area extends from Nebraska and Iowa southward into Texas and New Mexico, with Kansas as the center; (4) hard-red spring wheat, grown in an area stretching from Maine to Washington, with the main producing areas Minnesota, the Dakotas, and Eastern Montana (areas where winters are too severe for winter wheat production); and (5) durum, grown chiefly in North Dakota and contiguous states. The hard-reds are the chief bread wheats, the soft-reds for cookies and pastries, durum for macaroni, and most white varieties for pastries and breakfast foods (Charles B. Kuhlmann, *The Development of the Flour Milling Industry* [see chap. 1, n. 5]).



Red Chaff Bearded, Black Sea, Yellow Lamas, Soft Siberian, White Flint, Canada Flint, China, Early May and Golden Chaff. Corn was also widely grown (often interspersed with wheat) and later became Iowa's preeminent grain.

Because there was no elevating of the grain in bulk, where gravity might have drawn upon it, the grain, sometimes bagged, more often in bulk, had to be hand-carted to the various parts of the building to be stacked (one old-timer, A. V. Huff, who had begun work in one of these flathouses in the 1880s, remembered "all grain . . . was loaded with a wheelbarrow that held 7 bushels. Sometimes it would take all night to load a car"). A typical flathouse might have six or so bins, each bin holding a carload.

Prior to the 1850s almost all grain was marketed by wagon or water. Bagged grain predominated then; each bag was identifiable, and selling was done by samples from specific sets of bags. But with the advent of the rail car, grain could be carried in bulk, and then it was no longer possible to identify specific lots. Weight became the measure—sixty pounds of wheat, for example, was defined as a bushel. Early on, this anonymous grain, in effect, a "commodity," often turned out to be lower quality—the farmer or middleman had little incentive to keep out dirt and chaff. The Chicago Board of Trade met this problem in the late 1850s by establishing grades, with city inspectors overseeing the process. By the time of Will Cargill's days in Conover, there were three grades of spring wheat, as well as a fourth category, "rejected."

A rail car then was a 25- to 30-foot wooden boxcar, likely of 9 to 10 tons capacity, so about 300 bushels at 60 pounds per bushel (if barley, at 48 pounds per bushel, this would be considerably more, about 375 bushels). The boxcar had an inner half door, so that grain could be shoveled in over the top until the capacity was reached, or it could be filled with bagged grain by wheelbarrow or on one's back (today special hopper cars carry some 95 to 99 tons).

The receiving of the grain was decidedly seasonal, coming at harvest. Although selling could go on through much of the year, the warehouseman would hope that rail cars in quantity would be available at harvest time lest his flathouse or elevator fill up completely—be "plugged." He did receive storage charges if storing for an individual owner, but most of his income was made by purchasing and selling for himself. The more rapid the turnover, the greater his revenues. Most of the warehousemen bought and sold coal, salt (for preservation of meat), hides and other commodities, too.

Warehousemen like Marsh and Cargill dealt with the farmer in essentially two ways. The farmer could consign his grain to the warehouse, keeping ownership of the grain himself (if he had enough to fill a bin), paying the warehouseman a commission for the storage time and insurance

coverage and then he himself making the decision when and where to sell, at the time he felt the price was right. Prices were typically lowest at harvest, with peak supply, and highest when this supply "disappearance" (the term used) brought shortages, before the next crop. This is the concept of a "carrying charge" market—the price rise approximating those storage and insurance costs.

The other route for the warehouseman was to buy the farmer's output outright at harvest. Most small farmers were on such a shoestring in these times that they often assumed chattel mortgages on future crops at planting, gambling on a good harvest and then being forced to sell at harvest. Often they would become antagonized by the low price they received, particularly when their grain was graded on the spot by the warehouseman (who, of course, had to meet a grade standard when the grain arrived at Chicago or another major consuming city). Farmers often thought they were taken advantage of in this grading process, a subject for further analysis later in this chapter. Almost all of the time warehousemen wanted to minimize price risk, for they essentially saw themselves as middlemen, taking a regularized commission for this service. Thus they established relationships with railroads, or more often with commission houses in the great trading centers (for these Iowa, Wisconsin, and Minnesota operators, the commission houses were in Chicago and Milwaukee). The telegraph had paralleled the railroad rights of way; this communication was necessary for the line's own traffic control but also critically important as a purveyor of up-to-date market information between office and field. So Marsh & Cargill and other businesses like it were utilizing a hedging concept—sell the grain in a market even before the grain arrived. In turn, these commission merchants would formally hedge this grain by buying a "futures" contract and then reversing this by a separate offsetting contract when the actual grain was sold on arrival. (By the end of the Civil War, a futures market for grain was widely available on exchanges both in the Midwest and in Europe.)

The farmers choosing to hold title to their own grain, incidentally, seemed not to understand futures very well (or chose not to understand) and rather than hedge would most often assume the price risk themselves—in effect, to speculate on their grain. But warehousemen universally were not speculators. As Frank Peavey, one of the Minneapolis pioneers in the elevator group, put it, "hedge or sell all grain as soon as it is bought; take in the hedge instantly when the grain is sold."

The farmer did have one other alternative—he could sell to a "track buyer," more colorfully called a "scooper" or "scoop shoveler," who eliminated the country elevator altogether. These people were rather more transient and had to depend on the railroad to allocate cars for their purpose. They were strongly discriminated against by the railroads, who questioned their reliability. "They did not provide a regular market," business historian Henrietta Larson wrote, in her definitive book, *The Wheat Market and the Farmer in Minnesota, 1858–1900*, "and they were often deliberately dishonest." But the scoopers provided a competitive spur for the regular warehouseman.



H. C. Marsh, Will Cargill's first partner, was an older, more experienced businessman, age about 40 and involved in hardware and lumber in addition to grain warehousing, his "character, habits and capacity good," said another R. G. Dun & Co. credit correspondent (who abbreviated each of these words in the mode of his profession). The Dun agents, usually lawyers in the local or surrounding communities (and whose role was not public), made personal observations and consulted public records such as tax books. Each would send his few sentences in the terse shorthand of the day to the nearest branch of the New York City firm, where all were transcribed to credit ledgers, county by county. The New York office monitored these reports carefully (often having two agents rate the same group of firms for comparison). There was great incentive on the part of the agents to hold onto the Dun post, for it led to lucrative business in helping to resolve the multitude of bankruptcies in the tenuous business environment of those days.

The records of businessmen on the frontier were generally skimpy, and with fires, bankruptcies and intentional disposal, few written chronicles of these Conover businesses have survived. Fortunately, however, the Dun entries for Conover and the surrounding towns were saved and in combination with local court records give some revealing glimpses of life in a boomtown on the midwestern frontier. There were intricate, often short-lived sets of partnerships between and among the businessmen; Marsh was in business with a Knowlton in hardware, with Lambert in lumber. The diminutive grain warehousing companies, generally partnerships and reasonably inexpensive to establish, were highly competitive yet often had linked ownership. In particular, a strong, long-standing McGregor business group known as Bassett & Huntting had established grain warehouses all through the towns and villages west of McGregor. William Huntting, prominent in McGregor, led the firm; they were "old operators," "large dealers," and "good and reliable," reported the Dun correspondent. They were "wide awake businessmen and deserve confidence," particularly so because they had a third, silent partner who was one of the Midwest's most prominent business tycoons. He was Joseph Reynolds, who lived and worked out of McGregor but also had offices in Chicago. His particular moneymaker was his packet boat operation on the Mississippi, the "Diamond Jo Line." Having been discriminated against by other packet boat operators in shipping his grain in the early 1860s, he had purchased the line and had become a major steamboat magnate by the time of Conover's


*A "Diamond Jo" Mississippi River packet boat and barge loaded with bagged grain, c. 1875* (courtesy Area Research Center, UW–La Crosse)

birth. Reynolds was a "prudent businessman," his wealth "variously estimated at from 200 to 500M" ($200,000 to $500,000). Although the Reynolds group "speculate largely," they still "stand high." Will Cargill soon had substantial links with Bassett, Huntting and Reynolds, and later direct partnership ties.[5]

Through Dun's Conover correspondents, we gain some revealing glimpses of that hurly-burly town. G. Y. Conley & Bro. handled both drugs and liquor, "worth from 15 to 20c$" ($1,500 to $2,000). I. C. Baker had a dry goods store, but "have some doubt on him . . . a rather mixed concern . . . difficult to say who are the responsible partners." Within months, the correspondent reported that Baker "has sold out . . . is a swindle, a large one, too." A grocery partnership, Jacobs & McCartney, seemed doubtful: "Jacobs is man that has no experience in mercantile business . . . not dishonest but not careful in selling." H. L. Porter had started a hotel, a small one as he was only "worth $1000." G. A. Purdey's hardware store was valued at about the same figure; H. B. Lawrence sold stoves and some furniture, "owes but little, is of good habits, industrious and I think honest." The various saloon keepers—Pat Burns, Charles Brown, H. H. Wright, E. A. Miller, William Unbehaun, Charles Melby and others—seemed to be remarkably good credit risks (although the stringent Iowa state liquor laws persuaded Unbehaun to obtain his credit from out of the state and Melby to put his firm in his wife's name). The credit correspondent felt saloon operators needed to be watched constantly: "All liquor dealers should be dealt with carefully, even when buying other articles, as they are liable to leave at any time."



A particular Conover business had special meaning to Will Cargill—one of its partners became his father-in-law in 1868. William Austen Stowell (apparently known by his middle name) lived in Ossian, the next town east from Calmar on the McGregor Western line, about a dozen miles east of Conover. His firm was the Mississippi Valley Insurance Company, located at Decorah. The Dun correspondent approvingly noted that Stowell was "a regular rattling insurance man . . . a large business, good character . . . good business capacity & is honest." Stowell, excited by the fast-paced business scene of Conover, formed a partnership with one Williams for a dry goods and grocery store there. Williams lasted only a few months, to be replaced by a Mr. Washburn, "a new man . . . from Wisconsin, said to have considerable property there." Washburn apparently became the man on the scene, with Stowell keeping a room above the store but apparently continuing his insurance business out of Ossian. The latter town had been founded in 1855 but had not grown much until the railroad came. The *Iowa State Gazetteer* noted that it had only "a Baptist Church, three general stores and one grocery."[6]

As the Conover residents basked in their good fortune over the winter of 1865–1866 (perhaps a few in a state of intoxication, what with the 32 taverns!), dark clouds were on the horizon. Already, plans were afoot for building a new, separate railroad west from Calmar toward Charles City, some 35 miles distant. The Calmar citizenry, sensing recovery, worked together to help erect a large "depot hotel," and within months the

*In 1977 this railroad outbuilding and a few houses were the last remaining evidence of the town Conover, Iowa* (courtesy Duane W Fenstermann)

McGregor Western decided to take down its depot in Conover piece by piece and move it to Calmar. To Conoverites, the railroad was double villain, for the mild winter of 1865–1866 also had allowed continued McGregor Western building north and west. By the spring of 1866, a newer town, Cresco, 18 miles northwest of Conover, had been founded (by Augustus Beadle), and the railroad decided to put a depot there. With railroad construction costs quite reasonable because of the topography of northeastern Iowa (the original 35 miles from McGregor to Conover had cost an average of only $3,500 per mile), the McGregor Western made rapid progress in a direction toward the Minnesota line. The McGregor Western was required to complete at least 20 miles of its road every year from the date of its acceptance of its land grant, although there was beginning to be some doubt about whether the land grants would even be honored now that the route had turned northward

Conover fell like a rock. By the summer of 1866 there began to be business failures, and these mushroomed through spring 1867. Soon the disparaging name "Goneover" began to be used—and the name stuck. Conley's Drugs and Liquor failed, as did Rogers, Gardner the grocer, and Jacobs & McCartney of the same business. Porter's hotel, according to the Dun correspondent, was "not making money . . . in a dead town." Fire added another push to Conover's rollercoaster ride when a whole block that included the City Hotel burned to the ground in December 1867. Purdey, the hardware man, moved to the new boomtown Cresco, and he was followed by others. Austen Stowell's partnership in the dry goods store was in trouble. It was mortgaged in April 1867 and failed just one month later. The stock was sold, and the Dun correspondent reported, "We think we have evidence to show that the sale is fraudulent. We shall attach tomorrow." Creditors who filed civil law suits against Stowell and Washburn also expressed the same sentiments in court petitions.

The buyer was none other than H. C. Marsh, Will Cargill's partner in Conover. No Dun's record remains of how Marsh made out in his Conover dry goods business or how long he stayed, but civil court records show that Stowell's creditors attempted to recover the value of their claim from Marsh. A new newspaper was started in Cresco in early 1867, and one of its first issues confirmed that Marsh had built a warehouse there. Probably Will Cargill was still with him, as an early September 1867 issue notes that "Marsh & Carghill of Conover" were building a warehouse at Lime Springs, a tiny town 10 miles or so northwest of Cresco on the railroad. "They are No. 1 men," the editor stated, "and those who deal with them will soon come to the same conclusion." Will Cargill had another partnership in Lime Springs, joining T. W. Clapp in a lumberyard there.

So, with droves of people leaving Conover for Calmar to the southeast and Cresco to the northwest, Will Cargill and his partner Marsh chose the



*Above, Sylvester S. Cargill, c. 1882; top right, Samuel D. Cargill, c. 1885; bottom right, James F. Cargill, c. 1881.*

northerly direction (today Cresco and Calmar are bustling small towns, but in Conover there is no evidence of the town except for a few houses).

Will's two younger brothers, Sam and Sylvester, now joined their older brother, apparently traveling directly to Lime Springs. Sam was age 20, Sylvester 19. The two younger Cargills provided just what Will needed, trustworthy manpower for his Iowa operations. One family member remembered their first months as follows: "They didn't take rooms, but saved money by living in the flathouse, sleeping on cots in the room used as an office. They cooked there, on a pot-bellied heater with one stove lid. Mother [Margaret Anne Cargill Barker, Will Cargill's older sister] told that one would handle the frying pan and do the cooking while the other held his hat over the open pan to protect the food from chaff and grain dust sifting down . . ."[7]

*Business Life in Cresco and Lime Springs*

The Cresco and Lime Springs business communities, covered by another Dun correspondent, provided even more pungent analysis. Isaac Gregory, one of the other grain dealers was "speculating" and was "hard-pressed." B. Bank was "an Israelite of 23 yrs, single, has 100 or 150 $ worth of confectionaries . . . his first experience in business." In the proprietorship of Strother & Conklin, agricultural machinery dealers, the former was "responsible," the latter "is not & at times drinks hard." John J. Sturgess, who had an innovative combination of a hardware store and billiard saloon, also was "intemperate." A. Swanson, the jeweler, "monopolizes the business here." D. Beam had a "good reputation" as a harness maker but later "ran away in debt from Cresco." Eli J. Bertram, a sewing machine salesman, was a "worthless scallawag."

One of the grain buyers of the area, C. E. Brown, was listed as "clergyman and speculator," a "rather doubtful character." J. G. Carter sold agricultural implements and insurance; earlier, he had been "unfortunate in investing in Connover" (*sic*). Will Cargill's partner, Marsh, was "not doing much but well off." Doan & Kepp was a "very poor" mercantile business, "liable to break up at any time." On the other hand, Mrs. J. T. Donohugh, one of the dressmakers, "has a nice little shop & is doing well." T. H. Dunn had been clerking in one of the hotels, now started a small cigar store with a total stock of $150 and was "managing fair." W. G. Gardner, who sold hats and caps, was "one of the safest of our businessmen," although "sometimes a little slow." There were some enigmatic comments, too; William Gibby, who owned a combination hotel and saloon, "keeps his contraband in this state" and was "rather reckless." The correspondent recommended that people "would be entirely cautious about crediting" with him. There were several itinerant peddlers; E. W. Allard had a wagon and a span of horses, "not much of a man—would not like to trust him . . . he is one of those cheap men who do not set a high estimate on his word."



And so it went. Some firms did well, others faded quickly. George A. Lamb, a printer in the area, had been burned out and owed over $1,200 for his press; although "industrious," with "active habits," he had to quit and returned to his original home in New York. The saloon keepers were in and out of business constantly. Anthony Lee, "a hard old fellow," quit. Thomas Leonard, "a deadbeat, keeps a hard place" but was in trouble for liquor violations; "his family sell the rest . . . and make business for the public courts." The professional group—the doctors, dentists, and others generally seemed stable; Mrs. H. H. Jewitt, an artist, was "doing a good business and has a good reputation . . . takes a good many pictures."

Another business in Cresco provided Will Cargill with a future link by marriage. G. M. Hanchette and George A. Purdey had opened a hardware store in late 1867. Purdey, from Conover, was "a perfectly honest man" and a "very good businessman." Hanchette, who had come from Janesville, Wisconsin (perhaps having known the Cargill family there), was "married and does a good trade." In sum, it was a responsible firm. The *Cresco Times* plumped, "Hanchette brings experience and ability, and is fortunate in having obtained an interest in one of the best business stands in Northern Iowa." Will Cargill's youngest daughter, Emma, married Hanchette's son Fred in 1897.

In early 1868, Purdey & Hanchette suspended business when an injunction was obtained, which shut the store down for 10 days. The cause was not noted by the newspaper. The suit subsequently was dismissed at a hearing in the United States Court at Dubuque, and the newspaper added, "It has been the means of doing great damage to Mr. H's business, but with his cheap goods and fair dealing he will soon regain his usual trade." The editor added, "don't forget to give him a call when in town."[8]

The breezy huckstering of the *Cresco Times* editors (there were two during this period) was counterpoint to the sober, often scathing comments of the Dun correspondents. Cresco was rather "wild and wooly" (frankly admitted the paper), with fights, shootings, wife beatings, and other miscellaneous scrapes gleefully reported by the editors. With its large share of saloons (a number inherited from Conover), incidents abounded. "Three prominent businessmen were out serenading Sunday night," noted an entry in early 1868. "The hope is expressed that they feel no inconvenience as a result of their efforts to be amusing." A few months later, "the streets were so crowded with passersby that at one place the sidewalk was completely blockaded by a crowd of 'target shooters' so that ladies were obliged

to turn out into the street to get by. We also heard one or two 'inebriated individuals' talking loudly and obscenely. As we are now a 'city,' it is to be hoped that the 'city officials' will look to these matters."

Marital spats were editorial favorites—a doctor, for example, had "skedaddled, taking with him his goods, and leaving his wife." Generally, the cultural activities were confined mainly to sports (on April 23, 1868, the "Silver Grays" baseball team of Cresco beat New Oregon, 52 to 19). There were constant stories about runaway horses and several references to a new form of calamity, the train wreck. A special train excursion from Cresco to Conover was planned on July 4, 1867; it was a great success, with 1,400 people on the train, "the largest load of passengers that has ever been over the road." The editors nostalgically reported that many had "envious feelings," watching the "innocent caresses of some of the young couples in the darkness, coming home on the train that night." Two months later, the mayor of Conover resigned and relocated in Cresco, and the editors could not resist a gleeful comment: "We don't know how the change from Metropolitan honors to the rural districts will affect him."[9]

These alarums and distractions aside, the dominating issue for Cresco and Lime Springs, as it had been for Conover, remained agriculture. Everything was built on its foundation; the farmer's success or lack thereof set the tone for everyone else. To fully appreciate this, an understanding of the "farming frontier" of this period immediately after the Civil War period is needed.

### *Farmers, Middlemen, and Others*

In so many respects, the Civil War served as a watershed for American agriculture, particularly so for the plains states west of the Mississippi River. Until about 1900, an unfailing rule, at least for agriculturalists, was that the greatest percentage of population growth was on the newest lands but generally those closest to the older regions. Fred Shannon, in his book *The Farmer's Last Frontier*, noted the "astonishing degree of regularity" in the increase of populations in the western band of the North Central states (Missouri to Minnesota and Kansas to North Dakota), with somewhat lower but still impressive growth in the same band of the South Central states (Louisiana, Arkansas, Texas, and Oklahoma). Iowa's population, in 1860 just 675,000, almost doubled in 10 years to 1,194,000. Minnesota had the same pattern, although the numbers were smaller, 172,000 in 1860, 440,000 in 1870. In turn, many of the more easterly Midwest states, which had grown so rapidly in the early part of the 19th century, now began to be net losers, Illinois taking the largest drop.

So as the Will Cargills of the country poured across the Mississippi in record numbers, almost all were destined to be farmers or farm-related businessmen. The railroads had bridged the wide river, starting with the first in 1856, which linked Rock Island, Illinois, and Davenport, Iowa.[10]



Wheat culture seemed to be rather careless and hasty on many Iowa farms. One Iowa farmer reported that as late as 1865 the usual mode was "to 'hog in' and 'hog over' . . . at a half hammon gait or a hop, step and jump, and trust to Providence for the result." But after the Civil War agriculture posted enormous gains in productivity, due particularly to a veritable explosion of new farm technology. The steel plows of John Deere and others, the Van Brunt seeders so widely advertised in the Cresco papers at this time, the onrush of harvesting technology brought by the vigorous competition between Manny, McCormick and others—these and others offered a chance for farming improvements. The sulky plow allowed the farmer to work sitting down, and soon there were more complicated gang-plows. Efforts were made at this time to use steam plows to subdue the prairie, but the earlier models were not successful. Later in the 19th century, better versions had some success in California and in the so-called bonanza farms of the Red River Valley areas of Northern Minnesota and North Dakota.[11]

Farming in the Conover/Cresco area in those first few years after the Civil War was representative of most Iowa and southern Minnesota farming. The wartime period had witnessed high wheat prices, but the influx of new settlers and higher productivity combined to vastly stimulate output, soon bringing generally falling prices. The Cresco paper's crop column reported wheat at $2.50 a bushel in late April 1867. The editor exhorted farmers to "do their work well, and *then* trust in Providence." It turned out to be "a grand crop," but then prices began to sag; "stand from under," the editor warned. By September, the prices were down to $1.45 and had dropped to 90¢ by the fall of the following year. Potato bugs had hit some of the farmers' crops in this second year, but the quantity of grain coming into the warehouses was still enormous. There had been 170 million bushels of wheat produced in the country in 1866; by 1869 the figure was 290 million bushels. Exact figures for Winneshiek County (Calmar and Conover) and Howard County (Cresco) are not available, but the amount of grain coming into the elevators mirrored this rapid growth in output. Beadle & Slee had erected an elevator at Cresco, at a cost exceeding $12,000, that was capable of holding 30,000 bushels. Steam power operated the simple elevating conveyors. With the nine warehouses that also were in place for the 1867 crop, some 40,000 bushels of wheat came in to Cresco per month in the four months of the harvest, and over 12 million pounds of freight were shipped from the depot. "If there is a station on the road prepared to beat these figures, we should be pleased to hear from them . . . until then we shall believe that Cresco is ahead of all."

The supreme confidence of the Cresco editor *was* vindicated and Cresco did stay strong (perhaps to be expected, as the Latin derivation of its name means "I grow"). Cresco's growth was aided by an exciting new development on the railroad. In the spring and summer of 1867, builders had continued northward from Cresco toward Austin, Minnesota, some 40 miles north and west. Meanwhile, the Minnesota Central Railway Company had been building southward from St Paul toward Austin. Their link-up would, in one move, connect the Twin Cities of St. Paul and Minneapolis with Milwaukee, Chicago and the East. By June 1867, the southern construction crew was only 23 miles from Austin; the Minnesota Central counterpart was already below Owatonna and closing on Austin. On October 10, they were only four miles apart, and the Cresco editor chortled, "Then hurrah for St. Paul, Red River of the North, Our Russian Possessions and the North Pole." They met the next week.

In the process, the towns north and west of Cresco picked up steam. Lime Springs, a few miles farther on from Cresco, where Will Cargill had located the lumberyard in partnership with Clapp and his warehouse with Marsh, now begged for lumber. By October 1867, over 200,000 feet of lumber had been shipped above that used by the railroad. Clapp & Cargill took out an advertisement for their "pine lumber, lath and shingles—best quality of Minneapolis," and the newspaper editor obligingly shilled in

*Arrival of the Milwaukee train, Austin, Minnesota, 1874* (Minnesota Historical Society).




*One of the earliest W. W. Cargill advertisements,* Cresco *[Iowa]* Times, *April 2, 1868.*

his news column, "They are selling lots of lumber of the best quality and at the lowest rates." Will Cargill's grain partner Marsh came with him to Lime Springs, and their new warehouse (and two more that Marsh built with others) were soon joined by four more competitors.

Marsh & Cargill now made the important decision to jump over the Minnesota line and build a warehouse at Austin. The editor of the *Cresco Times* was intrigued enough to run a short article on it as a lead piece on November 21, 1867, commenting " 'Billy' Cargill runs the machine. They have our best wishes for good luck." It is not clear just what kind of a machine this was, as the editor implied it was to be in a flathouse, not an elevator with power machinery for elevating, like the large Cresco operation of Beadle & Slee. By this time, however, elevating mechanisms were more widespread, sometimes simple "cup and belt" devices run by a horse led in a circle, a "blind horse" elevator, so-called. An old-timer recounted how one elevator "had a whip attached above the horse, and there was a hole in the wall where the men . . . could holler down at the horse . . . and a string attached to the whip so they could pull and hit the horse." Soon horses were replaced by power machinery. Alternatively, "Billy" could have been running a corn sheller or perhaps a grain cleaner.

On October 1, 1868, Will Cargill married Ellen ("Ella") Theresa Stowell, the wedding taking place at Ossian (where her father maintained his insurance business). Will was 24 years old, Ellen 15. Henry Toye, an Ossian schoolteacher (later superintendent of schools) was their witness Shortly after, the young couple established their home in Austin; their first son, William Samuel, was born there on October 2, 1869.

Austin was a more substantial town and already had an elevator, owned by B. J. Van Valkenburgh in partnership with his brother E. P. The senior member, B. J., later became linked with Will Cargill in further elevator and warehouse acquisitions. The Dun correspondent assessed his record: "Character good . . . attentive to business & economical . . . prompt in business matters . . . all right."[12]

Communication between Will in Austin and his two brothers out in

the field was effected by telegraph wire and mail, and this seemed to work well. Sometime in the early 1870s, three new warehouses were either built or acquired by Will Cargill in quite another area of Iowa, some 55 miles west of Cresco and on a different railroad, the Chicago, Rock Island and Pacific (its later name). Two of the new warehouses, at Northwood and at Kensett, were just below the Minnesota border (the railroad then ran on northward to Albert Lea); the other was at Sheffield, almost 20 miles below Mason City (and therefore over 30 miles from Kensett, 40 from Northwood). Sylvester Cargill, who had been running the Cargills' elevator at Winnebago, now became their manager for what seems to have been a separate operation from its early days. A cash book that begins on August 1, 1875 (the earliest extant financial record of any of the Cargill involvements), shows the operation as a going concern, headed by Sylvester but under the overall umbrella of "W.W. Cargill." This cash book chronicles innumerable trades in wheat, barley, corn, hides, salt, wool and pork. Sylvester, semiautonomous at this point, later became wholly independent of the other Cargill brothers, forming his own firm, the Victoria Elevator Company, which expanded into Minnesota and the Eastern Dakotas. Victoria grew to substantial size and from its Minneapolis headquarters became a well-known, middle-level grain firm.[13]

### *Albert Lea Becomes Headquarters*

Austin had been a busy location for railroads, for not only was the McGregor–St. Paul north-south route in full operation, but the Southern Minnesota railroad had also begun building in 1865 straight west from LaCrescent, Minnesota, directly across the river from La Crosse, Wisconsin; this had reached Rushford by 1867 and onward to Lanesboro in 1868. Meanwhile, another crew was building eastward from Albert Lea, reaching Ramsey, just north of Austin, in 1869. None of the little towns along this route had tempted Will, but when the railroad's "western" and "eastern" lines were linked in 1870, giving a through line, Will Cargill followed the sun and moved twenty miles west to Albert Lea. L. W. Spicer, an Albert Lea resident, recounted in a letter in October 1945: "He must have been about 24 years old when he came here, for he joined the Masonic Lodge in 1871 (age 26), and was Lodge Secretary in 1873."

Will Cargill kept his small warehouse near Austin, in the town of Ramsey, a mile or so north, but now began to make major commitments for new operations, beginning with Albert Lea. In May 1870, he bought two lots in the "railroad addition" and constructed a small warehouse (only the deeds for the land are extant, nowhere noting its size). "The small original warehouse collapsed after a couple of years by overloading," the Albert Lea letter-writer recounted, and Will Cargill subsequently erected a substantial 18,000-bushel elevator on the site, with an eight-horsepower engine for elevating.

The Spicer letter continued with a surprise: "He was elected Freeborn County coroner in 1872." Here is an early example of a trait exhibited so many times over Will Cargill's lifetime, of involving himself in widely scattered endeavors that were not near his chosen field. A coroner in those days usually was not a medical doctor but performed a judicial role in criminal matters by conducting an inquest, an investigative hearing where evidence was reviewed to determine if a prosecution should be initiated. The fact that Will Cargill was not yet 30 years old attests to his credibility with his townspeople; he kept the job until 1874.

The Albert Lea resident also noted that Will Cargill "built a fine home on Grove Street in 1871." An accompanying photograph showed the home to be very substantial. The letter also noted that "on the next block south was the S. S. Cargill home"; Sylvester moved there in 1882. Will's house may have been "fine," but his well was not; a survey of the town wells classified the water from the 85-foot Cargill well as "not good."

In September 1871, Will and Ella's first daughter, Edna, was born in Albert Lea. After Edna's birth, Ella and the baby went to stay with her family in Ossian. William Stowell, Ella's father, wrote Will, "Edna is very smart . . . Willie [first son William S.] is all over the baby and thinks it is his and you have nothing to say about it." Will wrote his father in Janesville, late in 1871, "I have not seen Sam or Ves in some time but hear from them every day." In this same letter, he added plaintively, "Ella is still at home & I feel tonight rather lonesome . . . tell Jimmie [his youngest brother] I have a horse & buggy & cutter [and a] pretty mare."

A history of Freeborn County, written in 1882, has an interesting addition to Will Cargill's Albert Lea days: "An elevator with a capacity of 30,000 bushels was put up by Henry Rowell in 1876. He owned and operated it for about three years, when it was disposed of to Cargill Bros., who took it to Sherman and it has since burned. It had a 10-horse-power engine." This story is illustrative of two features of the grain trade in those days: first, how easy it was to dismantle and move one of the old wooden warehouses and, second, how vulnerable these wooden buildings were to the "fire-fiend" (as an Albert Lea newspaper editor called it). Will Cargill lost several warehouses to fire in this period, and there would be many more in the future, too.[14]

Two questions now need to be addressed. First, in what combination of people under what partnership and company names was Will Cargill operating? Second, how did he get his money? Early in his Albert Lea tenure, Will Cargill had established a downtown office for his operations in a building on Front Street owned by Bassett & Huntting, the McGregor

*"A Scene on a Western Canal and Railway,"* Frank Leslie's Illustrated Newspaper, *October 11, 1873.*

grain dealers. He began buying land all along the Southern Minnesota Railroad (purchasing a substantial amount from W. G. Kellar, the field agent for the railroad's unused land, "which contains 400,000 acres of choice farming and grasslands"). By this time, these railroad lands were primarily west of Albert Lea, along the Southern Minnesota Railroad right-of-way (the railroad had continued building beyond Albert Lea toward Winnebago City, some 40 miles due west). At many of these locations, Will Cargill built warehouses; there were structures at Alden, Wells, and Winnebago, which was the momentary end of the line. Will also made his first purchase east of Austin on the railroad line at Grand Meadow and by 1876 also was moving up the state to towns along the Minnesota Central railroad, in the environs of Mankato.

His letterhead stated "Office of W. W. Cargill—Dealer in grain, pork, hides, wool, salt, & C." This seemed to be the parent company. But, additionally, Will also was involved in new partnership combinations. The Clapp and Marsh connections had not followed him to Albert Lea, and different names now surface. To begin with, there was a separate family entity, "W.W. Cargill & Bro.," a combination just of Will and second brother Sam; later, the entity "Cargill Brothers" appears, after youngest brother Jim (born 1852) joined the operations. A separate agreement with B. J. McGinnis in 1871 provided that Will would "furnish all the capital



used excepting $200" but that they would "share alike in profit and loss." McGinnis was to do the buying and handling of grain, in this case in Albert Lea. In another agreement, with J. Edward in 1874 (apparently a more short-lived one), 31 hogs were to be butchered, "as will make good merchantable pork . . . excepting the heads and feet, to be made into sausage." All this work was to be done, presumably by Edward, "in a good workmanlike manner." Not all of Will's partnerships were profitable; in April 1874, he lost a $700 advance given to another butcher, who was going to Iowa to buy "fat cattle" but who never came back. The newspaper gave the "confidence game" quite a play.

This particular spring of 1874 produced a string of bad luck for Will Cargill; in May, his Albert Lea warehouse collapsed, spilling some 2000 bushels of grain. It had hardly been cleaned up when reports reached Will that another warehouse, at Ridgeway, Iowa, had burned to the ground, "the only piece of property which he had neglected to insure," reported the newspaper. The editor then commented on a personal quality increasingly heard about Will—his eternal optimism: "the misfortune, however, does not seem to disturb Mr. Cargill's good nature."

There was a puzzling codicil relating to a partnership agreement between Will Cargill and J. M. Flowers. Mrs. Flowers agreed to "make up any loss that my husband may make in the purchase of grain or any article that he may agree to buy in the co-partnership." Further, she agreed to "make up or pay all deficiencies made by my husband . . . in all transactions as above mentioned." Dun correspondents also were active in Albert Lea and Austin, as outspoken as in Iowa; the Austin respondent commented about Mr. Flowers, "Like all speculators, sometimes up and sometimes down."

Will Cargill's most substantial business partner in this Albert Lea period of 1870–1875 was S. Y. Hyde. Hyde had been proprietor of a Lanesboro, Minnesota, grain trading firm but had now moved his office to Albert Lea. The Dun correspondent for Albert Lea had entries in February 1875, for both W. W. Cargill alone and for "Hyde, Cargill Co." For Will, he stated, "Has an interest in 27 different towns along the line of this road . . . has commercial interest in some 40 warehouses in these 27 towns. The business is buying and shipping grain and selling salt and perhaps other goods on commission. Cargill claims to be worth 50M [$50,000] himself . . . think it a reasonable estimate." An entry a few months later introduced the partnership: "Is also of Hyde & Cargill who own and operate 47 warehouses in 27 different points . . . regarded honest . . . a good business & considered safe for any reason." The correspondent seemed confused about the interlocking nature of the relationship and whether there really were two sets of warehouses (there were not). The McGregor firm of Bassett, Huntting and Reynolds also held some interest—several legal cases in

this period list them as co-partners. The partnership agreement itself has not survived, so the precise ownership percentages cannot be determined.[15]

The other enigma concerning Will Cargill's operations at this time centers on financing—just how had he been able to grow so rapidly and engage in so many commercial transactions, not only land for warehouses and the construction of these but other land purchases—farms, etc. A young man of just 21 years had come to Iowa in 1865 with what seemed to be little money in his pockets, yet was one of the more substantial businessmen of the Southern Minnesota/Northern Iowa area just a half dozen years later, despite a burgeoning depression from the Panic of 1873. A number of Will Cargill's expenditures at this time were quite large. For example, in 1873 he decided to increase his operations along the McGregor Western tracks and contracted for a large elevator at Cresco. Its total cost eventually came to over $12,000.

Scraps of information give clues to his connections. First, Will Cargill began in Albert Lea to have some substantial financial links to Jason C. Easton, who was one of the most important private bankers in southern Minnesota—"a pioneer of modern banking practices in the area," states the Minnesota Historical Society in its introduction to his collected papers. He did not seem so benign at the time—one La Crosse newspaper

*A railroad grading crew, c. 1907* (Minnesota Historical Society; photograph by Henry A. Byrd)



*"Railroad Building on the Great Plains"* (The Bettmann Archive)

called him "the well known money Lord." Born in 1823 in New York, Easton had come to Minnesota in 1856. By the early 1870s, from his office at the Root River Bank in the tiny town of Chatfield, Minnesota, he owned or held stock in banks in Austin, Caledonia, Chatfield, Grand Meadow, Lanesboro, Owatonna, Spring Valley, and Winnebago, Minnesota, and a partnership in a Chicago commission merchant house named Holley, Easton & Allen.

Easton had become a particularly dominant figure on the Southern Minnesota Railroad line. Different from a number of other lines, this railroad at first had been more liberal in its policies toward its patrons in not tying up the warehousing itself (a great many warehouses were owned outright by the railroads). However, in 1872, the railroad changed its policy by contracting with Easton to maintain warehouses and buy produce at a number of stations along its lines. Easton was to buy at a price directed by the railroad (the Milwaukee price minus freight and the railroad's margin) and from the proceeds to deduct his expenses and a commission. The effect was to create a potential monopoly, for Easton's position was favored over

that of his competitors—he was the first to get cars, the railroad assumed many risks which his competitors had to carry, and he paid only a percentage of the actual freight charge collected from other warehousemen. Easton was not the only buyer, but he was able in the process to maintain a high degree of control.

Easton tried to mollify the disgruntled sellers by proposing a more rigorous system of weighing grain at all the warehouses and elevators, but their proprietors would have none of it. Instead, they pressed for an investigation, and such an inquiry was made by a Minnesota Senate committee in 1874. The committee reported that Easton had unfairly profited to the tune of $44,000 with his preferential rebates. However, they voted "to not recommend any further action at the present time." The newspapers all through southern Minnesota immediately took up the cudgel. As one put it, Easton should " 'own up the corn' or disprove the statements made."

The year 1873 witnessed a severe economic shock to the country. The "Panic of 1873" had been building for several years. Railroads, expanding greatly after the Civil War, had pushed new construction in unprecedented amounts. The annual increase in railroad mileage had averaged about 1,300 miles in the years right after the war, rose to about 5,000 in 1869, and during the years 1871 and 1872 over 13,000 miles were built. Too much of this construction was built on a financial house of cards; a similar huge expansion in new business firms was all too often also on shaky financial ground. Exports lagged behind imports, and the trade deficit began to drain the United States Treasury. On September 8, 1873, the New York Warehouse and Securities Company failed; less than two weeks later, the powerful banking firm of Jay Cooke and Company closed its doors (sending the Northern Pacific Railroad and the Southern Minnesota railroad, among others, into bankruptcy in the process). Trade on the New York Stock Exchange was suspended for 10 days, but nothing could prevent the cumulative effect of the collapse. By the end of the year, there had been over 5,000 business failures, and almost a hundred railroads had defaulted on their bonds. It was not just a short-lived depression, either. Business failures increased precipitously in the 1876-1877 period, mills and factories closed all over, and unemployment rose. Not until 1878 was there a glimmer of recovery.

B. J. Van Valkenburgh and his partner Leonard Brieser immediately sued the Southern Minnesota railroad (in March 1874) for the overcharges, and in September of the same year, Will Cargill instituted two more suits, also against the railroad, one for $5,518 in his own name and a $12,789 figure for W. W. Cargill & Brother, to "recover excessive freights . . . between La Crosse and Milwaukee . . . a secret conspiracy between railroads to defraud shippers." Both plaintiffs won their claims when the railroad was ordered to set aside funds as part of its receivership proceedings.




*"Drawing snow blocks out, following blockade on Southern Minnesota Division," Chicago, Milwaukee & St. Paul Railroad, stereopticon slide, 1881* (Minnesota Historical Society; photograph by Charles A. Tenney).

Easton then was forced by public pressure to sell a number of his warehouse properties, and several went to Will Cargill. In the process, Jason Easton seemed quite taken with Cargill and later became as close to being a mentor as Will Cargill had had in business. For example, in November 1875, Easton urged Cargill to buy into a warehouse company in Wells, Minnesota, for "I think this new stock will be . . . valuable & as I told you will render you eligible as a director of the Co."

The many bankruptcies from the depression brought opportunities for those with money to pick up these defunct organizations. Apparently, Will Cargill had enough confidence—and money—to engage in substantial amounts of this distress buying, and Easton seemed willing to furnish additional capital for someone in whom he had trust. It is even possible that Will was acting as a surrogate for some Easton purchases that could not be made directly because of the investigative pressure. In July 1876, Easton wrote Cargill a long, chatty letter, both about new deals and about the grain trade in general. Cargill had sold a considerable amount of wheat in anticipation of a drop in price, and Easton wrote, approvingly, "Edy told me yesterday that you had had the 'lambs to the slaughter' lately & were not very long on rotten wheat. I was glad as I feel sure the price will 'go to the dogs' . . . certainly below 90¢ . . . ***believe wheat will not average cash in Milwaukee over 90 during the fall & winter.*"** With the bad times,

there were more individuals welshing on contracts; in this letter, Easton approvingly noted Cargill's efforts to "catch a wheat thief . . . I think there is nothing worse" and then invited Will to accompany him on a business trip to Milwaukee.

Later, a more important financier for Will Cargill's various partnerships and other operations was Robert Eliot, who owned a prominent Milwaukee commission house of the same name (founded in 1855). He and his partner, John P. Dibble, were almost canonized by the Milwaukee Dun correspondent: "good habits, character . . . men of integrity . . . one, all esteem . . . continually making $ . . . worth upwards of 700M [$700,000] . . . Eliot a shrewd businessman of energy and ability . . . not what are known here as speculators." Over many years, Eliot carried on an extensive commercial business with Will Cargill, buying his grain and, in the process, extending large amounts of credit to the partnerships. The cash book of Sylvester Cargill's branch, one of the earliest surviving records of any Cargill enterprise, has extensive journal entries involving credit from Eliot and subsequent payments in return from the Cargill group. An internal Cargill history, written in 1945, put the relationship this way: "It is doubtful if there was ever in the grain trade any man with a greater capacity for inspiring confidence than W. W. Cargill. His spectacular early success was in large measure made possible by the friendship of a great Milwaukee banker, Mr. Robert Elliott [*sic*], not once, but again and again, to their mutual profit."[16]

Finally, there was Will's father, the sea captain, William Dick Cargill. When the family had settled near Janesville in 1856, it was on a rather small farm of some 70 acres (later increased to just over 100), certainly not a prepossessing situation that would place them among the city's elite. Yet John Work cites a contribution by the Captain of $3,000 toward construction of a Janesville church, which "made Captain Cargill a 'major contributor,' " so the family did have substantial resources. Captain Cargill sent sums to his boys, perhaps not very much at the start but certainly greater amounts in the early 1870s. One financial notation shows a sum of $6,652 sent to Will over the years 1874–1877; there may have been other amounts in this same period. In the early 1880s another scrap of paper shows a running credit balance over the period 1883–1888 of some $6,000 each year. This could not finance a major portion of Will Cargill's empire (for that was what it was beginning to be), but Captain Cargill had a financial interest in his sons' business careers for quite a few years.

As if Will Cargill did not have enough to do—or perhaps he felt he needed more money—he made a contract in June 1873 to become an insurance agent for a Minneapolis company, the National Life Insurance Company of the United States of America. Will's territory was to be "Albert Lea and vicinity," and he was to sell both "ordinary life and endowment


*"Closing the Doors of the Stock Exchange on its Members," the Panic of 1873,* Frank Leslie's Illustrated Newspaper, *October 4, 1873.*

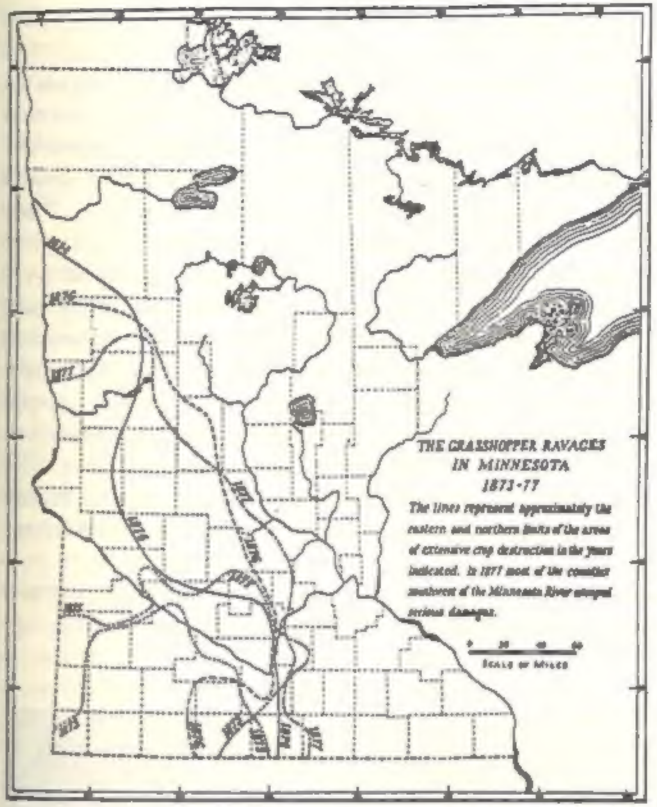
policies." There was a sliding scale of commissions on the first year's premiums, running from 10 percent to 25 percent and an additional commission of 2½ percent "on all second and subsequent premiums."[17]

## *Grasshoppers Complicate the Panic*

The farming frontier, already suffering severely from the effects of the Panic of 1873, had to endure one additional calamity, the grasshoppers. From the first days of this frontier, there had been plenty of pests (the potato bugs reported by the *Cresco Times* were an example), but few farmers had ever experienced a real plague. Yet their very cultivation practices had scared away some of the 'hoppers' natural enemies, such as insect-eating birds like the prairie chicken and the upland plover. In horror, one Iowa farmer recalled, "A large black cloud suddenly appeared high in the west from which came an ominous sound. The apparition moved directly toward us, its dark appearance became more and more terrifying and the sound changed to a deep hum. . . . We heard the buzzing; we saw the shining wings, the long bodies, the legs. The grasshoppers—the scourge of the prairie—were upon us." The northern Iowa and southern Minnesota territory of Will Cargill was one of the regions most profoundly affected. The grasshoppers ate everything in sight except potatoes. Their onslaught was random; carried by the wind, they would drop down on a particular area and wreak ruin, not touching other farms nearby. The 1873 wave left a legacy of eggs for the following year. Herculean efforts were instituted

*"Grasshoppers Stopping a Western-bound Train"* (The Bettmann Archive).



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to collect and destroy these eggs or the progeny of them if hatched. In the four counties just north of Albert Lea, 2,500 bushels of grasshoppers had been collected in the spring of 1875. "A careful estimate," said the newspaper, "figures 300,000 to the bushel, which would make about 750,000,000 disposed of." The Albert Lea newspaper, which had reported in June 1873 a "constant tide of travel" westward of the wagon trains, wrote in June 1874, "a large number of emigrants have passed through here eastward, fleeing from the grasshopper country." Severe crop losses from the voracious insects were experienced through the year 1877. The county commissioners and the governor of the state, overwhelmed by the relief needs, struggled to keep the farmers in the devastated areas from complete ruin. The total quantity of grain in southern Minnesota continued to rise in the years of the Panic, but there were disturbing signs of a deterioration in quality due to impoverishment of the soil from the one-crop economy. Prices had dropped through the floor. The Panic and the grasshoppers had combined to bring agricultural expansion to a grinding halt.[18]

*The Grangers Take on the Railroads*

The railroads, boon to the farmers, now became their opponents in controversies over transportation rates. In Iowa and Minnesota, the zeal of communities to encourage railroad construction had often caused the roads to extend faster than the trade they served. "The result of such a system," noted Henrietta Larson, "was great irregularity in rates. They were low at some points . . . high at others, low to one place . . . high to another . . . low for some shippers . . . high for others." If there were alternatives—competition, say, from waterways or two competing railroads—discriminatory rates were rare; places enjoying no competition were charged as much as the traffic would bear. Larson cited Rochester shippers in 1870 as paying 15¢ a bushel for a 45-mile haul to the Mississippi River port of Winona while, on the same railroad, Owatonna paid just 10¢ for a 92-mile trip to Winona; Mankato paid only 13¢ for 150 miles. The railroad managers, knowing they were more efficient for longer hauls, developed "through" rates that bred innumerable long haul–short haul inequities.

By the early 1870s, there was a further irritant—rebates. Not only did the railroads themselves group together in monopolistic combines to apportion freight, they also rebated to favored warehousemen and elevator operators (as with Jason Easton), again with the intent of restricting competition. There was much grumbling about this by the farmers. Scattered complaints had surfaced even back in the early euphoric days when the McGregor Western was first moving out to the Conover–Cresco area. In October 1867, the *Cresco Times* reported that farmers were complaining of the " 'elevator nuisance' here at Cresco" (this was not Will Cargill's, incidentally). The newspaper editor took the side of the elevator: "It is to be presumed that some farmers do complain and they would were they given 62 pounds for every bushel of wheat, oats, smut &c., mixed in equal quantities, which they might bring. We'll venture the assertion that no farmer who has brought clean wheat here will ever complain of grade of wheat. Those running the Elevator are endeavoring to run it on 'the square.' "

*"The Farmers' Movement in the West." A meeting of the Grangers,* Frank Leslie's Illustrated Newspaper, *August 30, 1873.*



When the depression hit in 1873, the farmers' discontent turned to fury. Back in late 1867, Minnesota farmer Oliver H. Kelley and six associates had formed a farmers' organization called the Order of Patrons of Husbandry, soon known as the "Grange." At that time it was a low-profile organization, espousing beliefs in cooperation and mutual aid for the "social improvement and enlightenment of the agricultural classes." Once depression settled on the farm, however, the Grange leaders turned the organization to more aggressive, indeed, militant goals. Now the railroads were lambasted as "monopolists," and the wheat dealers were the subject of special vitriol. Robert Eliot called it "the Granger tornado." In a convention of Grangers at Albert Lea, in July 1873, a ringing resolution was passed that decried the "high tariffs extorted by the railroad companies, and the robberies to which we are subjected by wheat buyers." Such combinations "are not justified by any principle of fair dealing, but are dictated by a spirit of oppression and greedy gain." The farmer members threatened not to sell their produce at all, but this was difficult to effect at such a dismal time, the farmers' resources being so strapped.

The agriculturalists of southern Minnesota were particularly hostile toward what they called "the Wheat Ring." This term was used in many locations around the country; in this particular instance, it was addressed to a combine of Joseph Reynolds, the McGregor mogul who was a silent partner of Bassett and Huntting, and two other men on the Winona and St. Peter Railroad, the rail line just north of the Southern Minnesota. In testimony before a "Special Joint Railroad Investigating Committee" of the Minnesota legislature in 1871, the railroad's discriminatory rebating to Reynolds and his colleagues was laid on the record, as well as their selective buying. Yet, as Henrietta Larson noted,

> The ring was in a position to pay higher for wheat than small scalpers or independents could. Its rebates cut transportation costs considerably. By the consolidation of buying on the whole road under one management, expenses could be cut fur-

ther. The ring was also able to avoid risks which had to be carried by others, because its close relations with central markets gave it an advantage in regard to market information, storage and sales. It also had more capital and could secure loans more easily. . . . Lastly, the ring was given special elevator privileges by the railroad.

The farmers were unconvinced by the arguments, particularly so because they felt that the grading methods of both the wheat buyers and the millers (the "wheat ring" and the "millers' trust," according to the farmers) were being used to downgrade the farmers' wheat—"cinching" was the term farmers applied to this.

Most small grain coming in from the field (barley, wheat, rye, etc.) did need to be cleaned to separate out bits of twigs, straw, stones, dirt, etc., that inevitably were a part of a harvest, as well as to cull the weed seeds and other miscellaneous vegetation present in most crops. The term for this is "dockage," for the farmer's price was, and is today, docked for its presence. A series of screens could allow a grain-handling company to "clean" the grain. Screening also made it possible to separate by size of grain, one of the key elements in establishing grades. This allowed an elevator or terminal to "mix to grade," in other words, to calibrate right down to grade level by mixing premium and average qualities—producing "skin grades," to use the vernacular of the trade. This was (and is) a legitimate and profitable component of grain handling, one of the necessary functions a grain company must perform. Farmers, however, usually complained about this, arguing that they were held to the lowest grade of a lot of grain, yet the grain company could then mix and gain an advantage from that extracted part which was premium. The logic of this argument was suspect—the farmer was not in a position to screen effectively. Nevertheless, grading has been for many years a source of considerable dissension within the trade.

Allegedly discriminatory grading practices became a focus in Minnesota in the infamous "Brass Kettle Campaign" of 1878. Wheat buyers used a weighing device, a two-quart brass kettle that could be manipulated by underfilling so that its total weight altered the "quality" of the wheat as much as two grades (top grades weighed more). The "lying little kettle" became the symbol of "wheat ring" and "millers' trust" dishonesty.

The farmers' Messiah, one of the Midwest's most important political and literary leaders at this time, was the famous Ignatius Donnelly. He was a large-scale farmer and was also a writer of great persuasiveness. In 1874, he founded a newspaper, the *Anti-Monopolist*, which a Litchfield, Minnesota, newspaper that year called "brimful of fight and fun, and bristles all over with invective . . . as dangerous a plaything as a porcupine." Donnelly led the battles for Minnesota railroad legislation, beginning in 1871, when the state's first law—a weak one—was passed, and was nominated as the Democratic candidate for Congress in the campaign of 1878, of which the "brass kettle" formed the centerpiece. He lost this election, contested its results, and lost on the protest as well. In the process, however, he had become a potent force for the farmers against "the monopolists."[19]



### *Wisconsin's "Potter Law"*

In neighboring Wisconsin, meanwhile, farmers were equally hostile toward the railroads and had precipated this state's own restrictive legislation, much more far-reaching than Minnesota's. Even before the Civil War, Wisconsin dwellers had agitated for state laws to control the railroads; a weak law had been passed in 1864, with further efforts over the next several years to tighten its ineffectual provisions. Most often this was despite opposition from the northern part of the state, which had few lines and wanted more and did not wish to antagonize the railroad builders.

In 1872, rumors flew that the state's two powerful lines, the Milwaukee and the Chicago & North Western, were contemplating a secret arrangement to pool freight. The Wisconsin governor, Cadwallader Washburn, immediately voiced vigorous opposition, and the embryonic pool was never consummated. But now the fury of the Wisconsin Grangers had been aroused, and they mounted a huge convention in September 1873. Railroads in general and their leaders in particular were lambasted, especially the excesses of Commodore Cornelius Vanderbilt, Jay Gould, "Jubilee Jim" Fisk, and Daniel Drew in the East, and the principals of the infamous "Crédit Mobilier" scandal in the Union Pacific Railroad, where high public officials, including Vice President Schuyler Colfax, had been given stock in return for political favors. Wisconsin lines were accused of "absentee ownership" (the Milwaukee, indeed, did have heavy stockholdings in the East and in Europe), their manipulation of rates was decried, and their favoring of large-scale warehousemen condemned.

The railroad companies, in a fit of ill-timed arrogance, announced new, higher rates in September 1873, right at the time of a Panic-bred rapid fall in prices. The Wisconsin state legislature rose to the challenge and, despite the railroads' contention that they were not subject to state regulation (the lines relied on the landmark Dartmouth College case, which disallowed state intervention against federal charters), passed stringent legislation in March 1874—the soon-famous "Potter Law."

This was no watered-down statute. It placed railroads in three classes, and the freight they carried in four classes. Maximum rates were established for these freight categories for all three groups. Passenger rates were also mandated (at 3 cents, 3½ cents and 4 cents a mile for the three groups). A commission was established to enforce all this, empowered in the process to gain access to all books and papers of the lines.